



## Financial Planning Points the Way

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No one in his right mind would step into a car, slap on a blindfold, and step on the gas. It just wouldn't make any sense. But many of us manage our money just as foolishly. Good effort requires a clear purpose, and a clear purpose ought to be guided by specific plans. Financial planning makes such plans.

Financial plans help us to recognize where we are going and adjust our course to where we want to go. Sitting down and writing our plans helps us to identify goals we may have been neglecting and efforts that need to be affirmed. It also helps us recognize and iron out any differences in directions or priorities we might have among our family members.

Good financial plans help make good things happen. They provide a game plan to follow so that we will be less likely to live beyond our means, waste available resources, use debt unwisely, neglect to prepare for higher costs or unexpected needs, or fail to support our most cherished goals.

Every choice we make is an opportunity to fall behind or get ahead. Even failing to choose is a choice. If we fail to set money aside in temporary savings, we will have nothing to cover the higher expenses of the holiday season, the beginning of the school year, or that unexpected tow when our car breaks down on the freeway. If we fail to divert some of our current income into intermediate-term savings, we will have nothing to purchase that much-needed refrigerator, that much-wanted vacation, or the next replacement for our aging motor vehicle. And if we fail to save for the long term, we will have little ability to improve our housing, educate our children, or provide for our retirement.

If we are barely getting by today, tomorrow is not likely to get any better without better planning and effort—as well as sacrifice. Yes, sacrifice. If we use every dollar of income to maintain our current lifestyle, that



lifestyle is unlikely to ever get any better. Why? Because we will have no resources to make it better and will likely have used a mounting load of debt to cover unplanned expenses we could not afford otherwise. To live within our means over the long term, we must spend only about 85 percent or less of our take-home pay on current living expenses. This would leave about 5 percent or more to take care of the

fluctuations in monthly expenses, 5 percent to take care of our near-term goals, and another 5 percent to build toward our long-term goals.

Financial planning is the key to getting ahead. No matter what your situation, it can either get better or worse depending on what you do. If you give up and give in, it is bound to get worse. In order to make good things happen, you must plan to spend, plan to save and protect, and plan to get ahead.

Here are some common areas of financial planning that you might want to consider in developing your own financial plans:

**Money management.** Set up a budget and an organized system for using, monitoring, and controlling your cash, credit, and checking.

**Living expenses.** Develop a budget plan that supports a lifestyle you can afford and enjoy on 85 percent or less of your net income.

**Savings.** Develop an integrated savings plan that addresses your need for short-term, intermediate-term and long-term savings.

**Asset accumulation.** Develop a plan that prioritizes your goals and efforts with regard to career development, transportation, home ownership, and retirement.

**Insurance protection.** Develop a plan that provides you with the insurance coverage you really need at the best price available.